

Message Text

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ACTION AGR-08

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 CIAE-00 INR-07

NSAE-00 /029 W

----- 086124

R 152230Z AUG 75

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 9459

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E.O. 11652: N/A

TAGS: EAGR, MX

SUBJECT: QUARTERLY MEAT CABLE

PASS USDA/FAS FOR LIVESTOCK AND MEAT PRODUCTS FCA

1. SECOND QUARTER BEEF EXPORTS TO THE US UNDER PL 88-482 AMOUNTED TO 6.73 MILLION LBS., OF THIS TOTAL 5.90 MILLION LBS WAS "MAQUILA" BEEF. JANUARY-JUNE SHIPMENTS TOTALED 10.79 MILLION LBS., OF THIS TOTAL 9.21 MILLION LBS WAS "MAQUILA".

2. THIRD AND FOURTH QUARTER SHIPMENTS WILL DEPEND UPON THE FOLLOWING FACTORS:

A) US VS MEXICAN CATTLE AND BEEF PRICE RELATIONSHIPS. MEXICAN LIVE CATTLE PRICES HAVE BACKED OFF A BIT THE PAST TWO WEEKS FROM NEAR RECORD HIGHS OF DOLS 44.36 US/CWT. TO DOLS 41.81 US/CWT. FOR TOP QUALITY (HUASTECA NO. 1) AND FROM DOLS 29.18 US/CWT. TO DOLS 28.36/CWT FOR LOWER QUALITYIKSLAUGHTER CATTLE. THIS MAY BE TEMPORARY IF SO "MAQUILA" CATTLE WILL CONTINUE TO BE ATTRACTIVE. IF PRICES CONTINUE TO SLIDE "MAQUILA" CATTLE WILL BE REPLACED WITH DOMESTIC SLAUGHTER CATTLE. FROM HERE WE ARE UNABLE TO SEE ANY RUN UP IN US CATTLE OR BEEF PRICES, IN THE THIRD QUARTER, THAT WOULD MAKE MEXICAN CATTLE AND BEEF MORE ATTRACTIVE AT CURRENT PRICES.

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B) AVAILABILITY OF IMPORT PERMITS FOR US CATTLE FOR

SLAUGHTER IN THE "MAQUILA" TRADE. IMPORT PERMITS HAVE BEEN SIGNED BY DR. PABLO ZIEROLD, SUBSECRETARY OF LIVESTOCK FOR 55,000 HEAD FOR SLAUGHTER PRIOR TO JANUARY 1, 1976, YIELDING APPROXIMATELY 15 MILLION LBS. OF BEEF. AS A GUEST AT A LUNCHEON MEETING ATTENDED BY DR. ZIEROLD AND SR. SLAVADOR MAYORGA, PRESIDENT OF CNG, AGOFFICER WAS AGAIN MADE AWARE OF THE CATTLEMEN'S OPPOSITION TO THE "MAQUILA" SLAUGHTER. CATTLEMEN ARE CONVINCED THAT SOME QUALITY BEEF FROM "MAQUILA" SLAUGHTER FINDS ITS WAY INTO THE MEXICAN MARKET. DESPITE THIS OPPOSITION THE "MAQUILA" TRADE IS EXPECTED TO CONTINUE AT AN INCREASED LEVEL INDICATED BY THE GRANTING OF IMPORT PERMITS FOR 55,000 HEAD FOR THE REMAINING FIVE MONTHS OF 1975 COMPARED TO 35,000 HEAD FOR THE FIRST SEVEN MONTHS. DEPENDING ON STRENGTH OF CNG OPPOSITION AND PRICE RELATIONSHIPS ADDITIONAL IMPORT PERMITS MAY BE GRANTED IN THE FOURTH QUARTER.

C) IMPORT OF AUSTRALIAN OR THIRD COUNTRY BEEF FOR BONING AND PROCESSING IN MEXICO AND SUBSEQUENT SHIPMENT TO THE US UNDER THE MEXICAN QUOTA. DESPITE MUCH STUDY AND REVIEW BY INTERESTED PARTIES AGOFFICER, FOR POLITICAL AND ECONOMIC REASONS DOES NOT VIEW THIS AS A FACTOR IN THIRD QUARTER 1975 SHIPMENTS. INFORMED SOURCES ESTIMATE AUSTRALIAN BEEF SIDES WOULD HAVE TO BE PRICED AT 30-32 CENTS US CIF MEXICO IN ORDER TO MOVE INTO THE US MARKET AT THE CURRENT 60-61 CENTS US PRICE. AUSTRALIAN BEEF WAS OFFERED SEPT 12, 1975 AT 41 CENTS CIF MAZATLAN. GOM OFFICIALS WOULD BE IN AN UNTENABLE POSITION IF THEY PERMITTED THE GOM QUOTA TO BE FILLED WITH AUSTRALIAN BEEF AND THEN IN THE CLOSING MONTHS OF THE YEAR FOUND MEXICAN BEEF WAS AVAILABLE. TO DATE GOM HAS REFUSED IMPORT PERMITS FOR TRIAL SHIPMENTS OF THIRD COUNTRY BEEF.

D) WIDE SPREAD DROUGHT AND FORCED LIQUIDATION OF LARGE HERDS IN THE NORTH. WITH SOME LOCALIZED EXCEPTIONS MAINLY IN SINALOA AND SONORA THERE IS ADEQUATE MOISTURE AND FORAGE. LARGE HERD LIQUIDATIONS DUE TO FORAGE SHORTAGES MAY BE LESS COMMON IN THE FUTURE DUE TO AN INCREASING TENDENCY TO OVERSTOCK UNTIL THE SITUATION IS DESPERATE AND THEN WAIT FOR RELIEF IN THE FORM OF RAIN OR GOVERNMENT FEED AID.
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3. ALL THINGS CONSIDERED WE ARE MAKING A SLIGHT UPWARD REVISION IN OUR EXPORT PROJECTIONS FOR 1975 BY QUARTERS TO US AS FOLLOWS IN 1,000 LBS OF PRODUCT):

FIRST	SECOND	THIRD	FOURTH	TOTAL
4,062	6,730	8,800	12,000	31,562

4. GOM IS CONTINUING TO EXPLORE WAYS AND MEANS OF SHIPPING THEIR 58.4 MILLION LBS QUOTA. HOWEVER, A SCHEME BOTH ECONOMICALLY AND POLITICALLY FEASIBLE HAS NOT AS YET SURFACED. AT PRESENT INCREASED IMPORT OF US CATTLE FOR "MAQUILA" SLAUGHTER IS THE MOST NEARLY FEASIBLE SCHEME. AS YET GOM IS NOT CONCEDING TO A SHORTFALL IN THEIR 1975 QUOTA. JOVA

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEATS, EXPORT DATA, QUARTERLY REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MEXICO07302
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750283-0723
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750849/aaaabqmy.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2003 by izenbei0>; APPROVED <05 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: QUARTERLY MEAT CABLE PASS USDA/FAS FOR LIVESTOCK AND MEAT PRODUCTS FCA
TAGS: EAGR, MX
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006